



PRESS RELEASE

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CELTIC INCREASES CAPITAL EXPENDITURE BUDGET TO \$75 MILLION FOR 2005 AFTER SUCCESSFUL DRILLING RESULTS IN THE SWAN HILLS AREA OF ALBERTA

Celtic Exploration Ltd. ("Celtic" or the "Company") has just completed an active drilling program to date in 2005. As a result of the recent drilling success, the Company is increasing its 2005 capital expenditure budget to \$75.0 million (previously \$60.0 million). In addition, Celtic's outlook for funds from operations has improved. See New Guidance for 2005 provided below.

OPERATIONS UPDATE

In Southern Alberta, Celtic recently put on production three natural gas wells in the Drumheller and Michichi area. Two of the wells are each producing approximately 1.5 mmcf/d gross (Celtic's working interest is 87% and 60% in these wells). These wells are expected to be increased to 3.0 mmcf/d each, after measures to increase facility capacity in the area is completed by the end of April. The third well has an initial production rate of approximately 500 mcf/d (100% working interest). The Company expects to drill four additional natural gas wells in the area during the remainder of 2005.

At Fenn West, Celtic drilled a successful well into the Nisku and Leduc formations. This well was recently put on production at initial rates of approximately 200 bbls/d gross (Celtic's working interest is 95%) of light oil. The Company expects to drill a second Leduc/Nisku well in the area after spring break-up.

At Bantry, Celtic has increased its drilling plans from four wells to 12 wells, as part of the expanded capital expenditure program. Development drilling is expected to commence in late April on the Company's Sunburst oil pool. Celtic plans to drill 10 development oil wells and two natural gas wells from three drilling pads.

In the Richdale/Michichi area, where the Company had entered into an agreement with an experienced operator to farm-out 31 (19.5 net) sections of Celtic land prospective for Coal Bed Methane (CBM) drilling, 15 wells have been drilled to date. Seven wells are currently on production and six wells are in the process of being tied-in. Celtic's share of production from the seven producing wells is approximately 250 mcf/d (at an average working interest of 30%). In 2005, the Company expects to drill two to four wells on option lands to test CBM and Belly River potential as well as an additional 12 to 15 down-spacing CBM wells offsetting the successful wells drilled to date.

In East Central Alberta, the Company continues to remain active in the Ashmont area, with further drilling planned after spring break-up. Celtic currently has two wells awaiting tie-in. One well tested natural gas at 1.1 mmcf/d and the other well tested natural gas at 300 mcf/d. The Company's working interest in this area ranges from 65% to 100%.

In West Central Alberta, Celtic was most active in the Swan Hills/Morse River area where the Company has an option on 91 sections of land through various farm-in agreements. To date three wells have been drilled on these farm-in lands and have recently been put on production. The three wells are producing 40° API oil and average production per well is expected to level out in the 40 to 80 bbls/d range. Celtic's working interest is 100% on two wells and 70% on the third. A fourth well has just been drilled and is currently being completed and a fifth well is currently drilling. Celtic will earn in 57% of the total farm-in lands from these five wells and an additional four wells will earn in the remaining option lands. On Celtic owned lands, the Company drilled two additional wells that have also recently been put on production for light oil. Celtic's working interest in these wells is 100% and 80%. With its expanded capital expenditure budget, Celtic plans to drill 17 to 20 wells in the Swan Hills area in 2005, up from the 10 wells planned in the original budget. After earning in all of the farm-in lands, Celtic will have an inventory for several years of development on a long reserve life light oil resource play, with working interests ranging from 70% to 100% on 125 sections (80,000 acres) of contiguous lands.

At Kakwa/Chime, the Company is currently drilling its third well for 2005 and has two more wells planned for the year. The first two wells have been cased for natural gas and will be completed after spring break-up. Prior to increasing the capital budget, only two wells were planned for this deep basin natural gas area. Celtic's average working interest at Kakwa/Chime is 22%.

At Fox Creek, Celtic will drill a new exploration test on lands south of the Company's existing oil and gas production. This well is expected to spud in the second quarter of 2005, targeting Beaverhill Lake light oil. Celtic's working interest at Fox Creek is 100%.

In the deep basin, Celtic continues to drill on its Saddle Hills/Valhalla farm-in. The first well was completed as a Montney natural gas well and is in the process of being tied-in. A second well was recently drilled and is currently being completed as a natural gas well in the Wabamun formation. The Company's earned working interest at Saddle Hills/Valhalla ranges from 12.5% to 15%. At Pedley, a deep Leduc reef well was completed and after a short flow test, it has been shut-in with recorders at the bottom. Further information regarding this well is expected to be available in the next two or three weeks. Celtic's working interest in this prospect is 50%.

PLANT MAINTENANCE

At Fox Creek, Celtic's production will be shut-in for approximately four weeks during May for plant turnaround operations at a third party facility through which Celtic produces approximately 850 BOE/d. At Buffalo Lake, approximately 60 BOE/d will be shut-in for three weeks in May for plant maintenance. At Drumheller, approximately 650 BOE/d will be shut-in for two weeks due to a plant turnaround in June. At Joffre, approximately 130 BOE/d will be shut-in for the month of May due to facility maintenance operations. As a result of the various plant maintenance projects, well work-over operations at Fox Creek in the first two months of the year and tie-in delays in the first quarter of 2005, Celtic's average daily production for the year will be reduced by approximately 400 BOE/d; however, exit 2005 production estimates will not be affected. New production guidance for 2005 shown below has been adjusted to reflect this production down-time.

COMMODITY PRICE RISK MANAGEMENT

Celtic has entered into certain contracts to fix the price of oil and gas for a portion of its production in 2005. For the term from December 1, 2004 to March 31, 2005, Celtic sold, based on physical deliveries, 4,000 GJ/d of natural gas at a fixed price of \$9.19 per GJ. For the term from April 1, 2005 to October 31, 2005, the Company has agreed to sell, based on physical deliveries, 4,000 GJ/d of natural gas at a fixed price of \$7.00 per GJ. In addition, for the term from April 1, 2005 to December 31, 2005, Celtic has entered into a financial derivative contract to sell 1,000 barrels per day of oil, pursuant to the WTI index and the Bank of Canada US/Canadian noon rate, at \$63.88 per barrel. The effect of these contracts has been included in the determination of the Company's new guidance for funds from operations shown below.

NEW GUIDANCE FOR 2005

After giving effect to the increased capital expenditure program, the Company expects to exit 2005 with approximately 6,400 BOE/d of production (previous guidance was 6,175 BOE/d). Average production for the year is expected to be approximately 5,100 BOE/d (previous guidance was 5,500 BOE/d). Celtic's commodity price assumptions for 2005 have been increased as follows: WTI oil is forecasted to average US\$50.00/bbl (previously US\$42.00/bbl) and NYMEX natural gas prices are forecasted to average US\$6.80/mmbtu (previously US\$6.00/mmbtu). Celtic has estimated its expected realized oil and gas prices using a US/Canadian exchange rate of US\$0.824 (previous guidance was US\$0.816). As a result, Celtic's realized weighted average prices for 2005 are estimated to be \$54.50/bbl (\$55.30/bbl, after hedging) for oil and \$7.40/mcf for natural gas. After giving effect to the aforementioned production and commodity price assumptions, funds from operations is forecasted to be approximately \$58.2 million (previous guidance was \$50.1 million) in 2005 or \$2.17 per share, diluted (previous guidance was \$1.87 per share). Debt, net of working capital, is estimated to reach \$46.7 million (previous guidance was \$41.6 million) by the end of 2005 or 0.8 times 2005 funds from operations (previous guidance was also 0.8 times 2005 funds from operations).

CAUTIONARY STATEMENTS

Where amounts are expressed on a barrel of oil equivalent (BOE) basis, natural gas volumes have been converted to oil equivalence at six thousand cubic feet per barrel. The term, BOE, may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. References to oil in this discussion include crude oil and natural gas liquids.

Certain information with respect to Celtic contained herein, including management's assessment of future plans and operations, contains forward-looking statements. These forward-looking statements are based on assumptions and are subject to numerous risks and uncertainties, certain of which are beyond Celtic's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency exchange rate fluctuations, imprecision of reserve estimates, environmental risks, competition from other explorers, stock market volatility and ability to access sufficient capital. As a result, Celtic's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur. In addition, the reader is cautioned that historical results are not necessarily indicative of future performance.

OUTLOOK

Celtic is excited about its recent drilling success and with a growing inventory of drillable prospects, looks forward to continued growth in 2005. Common shares of the Company trade on the Toronto Stock Exchange under the symbol "CLT". Celtic has 25.9 million common shares issued and outstanding. In addition, the Company has 2.1 million stock options outstanding.

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